

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the content of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**CANVEST ENVIRONMENTAL PROTECTION  
GROUP COMPANY LIMITED**

**粵豐環保電力有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1381)**

**DISCLOSEABLE TRANSACTION  
EQUITY INVESTMENT IN ZAOZHUANG ZHONGKE  
ENVIRONMENTAL COMPANY LIMITED\* BY WAY OF  
CAPITAL INCREASE**

**CAPITAL INCREASE AGREEMENT**

The Board is pleased to announce that on 12 December 2018, World Prosperous, an indirect wholly-owned subsidiary of the Company, has entered into the Capital Increase Agreement with the Existing Shareholders and the Target Company. The Target Company currently operates a waste-to-energy (WTE) plant under a build-operate-transfer concession right in Zaozhuang City, Shandong Province. The daily municipal solid waste processing capacity of the WTE plant is 1,800 tonnes, of which the processing capacity of phase 1 (currently in operation) is 1,000 tonnes and phase 2 (to be constructed) will be 800 tonnes.

Pursuant to the Capital Increase Agreement, World Prosperous has agreed to inject RMB258,800,500 (equivalent to approximately HK\$293,117,446) in cash to the enlarged registered share capital of the Target Company. Upon completion of the Capital Increase, the equity interests in the Target Company will be owned as to 51% by World Prosperous and 49% by the Existing Shareholders. As such, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Capital Increase exceeds 5% but is less than 25%, the Capital Increase constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **BACKGROUND**

The Board is pleased to announce that on 12 December 2018, World Prosperous, an indirect wholly-owned subsidiary of the Company, has entered into the Capital Increase Agreement with the Target Company and its Existing Shareholders to increase the registered capital of the Target Company.

The principal terms and conditions of the Capital Increase Agreement are as follows:

### **THE CAPITAL INCREASE AGREEMENT**

Date: 12 December 2018

Parties: (a) World Prosperous (an indirect wholly-owned subsidiary of the Company);  
(b) the Target Company; and  
(c) the Existing Shareholders

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Target Company, the Existing Shareholders and their respective ultimate beneficial owners (as the case may be) are Independent Third Parties.

#### **The Capital Increase**

As at the date of this announcement, the registered capital of the Target Company amounts to RMB248,651,500 (equivalent to approximately HK\$281,622,689) and had been fully paid-up.

Pursuant to the Capital Increase Agreement, World Prosperous has agreed to inject a total of RMB258,800,500 (equivalent to approximately HK\$293,117,446) in cash for the Capital Increase in the Target Company. After the Capital Increase, the registered capital of the Target Company will be increased from RMB248,651,500 (equivalent to approximately HK\$281,622,689) to RMB507,452,000 (equivalent to approximately HK\$574,740,135).

It is agreed that the contribution to the enlarged registered capital of the Target Company under the Capital Increase Agreement shall be used for (i) technological upgrade of phase 1 of the Zaozhuang WTE plant; (ii) construction of phase 2 of the Zaozhuang WTE plant and (ii) such other purpose as may be determined by the board of directors of the Target Company.

#### **Conditions Precedent**

Completion is conditional upon the fulfillment or waiver (as the case may be) of, among others, the following conditions:

- (1) completion of registration of the Capital Increase with the relevant government authorities in the PRC;

- (2) determining and finalizing the corporate governance of the Target Company on or before 31 December 2018, including but not limited to:
  - a. amending the articles of association of the Target Company;
  - b. World Prosperous having obtained the majority of board seats of the board of directors of the Target Company;
  - c. World Prosperous being entirely responsible for appointing members of the senior management of the Target Company; and
  - d. World Prosperous being entirely responsible for the operation and management of the Target Company.
- (3) Within five business days upon execution of the Capital Increase Agreement having completed certain steps for the handover of the Target Company, including but not limited to:
  - a. cancellation of the original company chops and preparation of new company chops to be kept in the custody of World Prosperous;
  - b. save for certain bank accounts of the Target Company that are approved by World Prosperous, Parties A and the Target Company shall close all other existing bank, brokerage and fund accounts of the Target Company. World Prosperous will have full management control over the new financial accounts of the Target Company, which shall be established by Parties A and the Target Company; and
  - c. delivery of all corporate documents of the Target Company to World Prosperous, including operating permits, cheque books, government permits, accounts, board and shareholder resolutions.

### **Completion**

Completion shall take place upon fulfilment of all Conditions Precedent.

It was expressly agreed by World Prosperous and the Existing Shareholders that upon execution of the Capital Increase Agreement, 51% and 49% of the equity interests will be owned by World Prosperous and the Existing Shareholders, respectively. As such, the Target Company will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group. It was further agreed that World Prosperous's equitable interest in the Target Company will not be affected even if (i) the Conditions Precedent have not been fulfilled; and (ii) registration of the Capital Increase with the relevant government authorities in the PRC has not been completed.

### **Consideration**

Pursuant to the Capital Increase Agreement, World Prosperous shall pay the consideration in various stages following the completion of the Consideration Conditions.

The consideration for the capital contribution was arrived at after arm's length negotiation between World Prosperous, the Existing Shareholders and the Target Company with reference to the following factors, (i) the current financial condition of the Target Company; (ii) the business prospects of the Target Company; and (iii) the reasons set out in the section headed "Reasons for and benefits of entering into the Capital Increase Agreement" in this announcement below.

The consideration payable by the Group will be financed by the internal resources of the Group.

### **Consideration Conditions**

The consideration will be settled in the following stages subject to the fulfillment of the Consideration Conditions imposed for each stage:

	<b>Amount</b>	<b>Consideration Conditions</b>
Stage 1	RMB50,000,000 (or equivalent)	<p>Within 15 days after the following conditions, among others, having been fulfilled by Parties A and the Target Company on or before 31 December 2018:</p> <ul style="list-style-type: none"><li>— the Capital Increase Agreement having been duly executed;</li><li>— all management arrangements of the Target Company as stipulated under the Capital Increase Agreement having been confirmed;</li><li>— all corporate filings as stipulated under the Capital Increase Agreement having been updated and filed with the relevant regulatory authorities;</li><li>— all Conditions Precedent having been fulfilled;</li><li>— the Target Company does not have any additional outstanding liabilities in addition to those disclosed in the Capital Increase Agreement and that the amount of the outstanding liabilities do not exceed RMB240,000,000;</li><li>— there is no material adverse change to the business of the Target Company; and</li><li>— the representations and warranties made by Parties A and the Target Company remain true, accurate, complete and not misleading.</li></ul>

	<b>Amount</b>	<b>Consideration Conditions</b>
Stage 2	RMB50,000,000 (or equivalent)	<p>Pursuant to the terms of the Capital Increase Agreement, the exact timing and amount for the Stage 2 payment will be determined with reference to the then financial conditions of the Target Company subject to the fulfillment of, among others, the following conditions by Parties A and the Target Company on or before 31 March 2019:</p> <ul style="list-style-type: none"> <li>— the Consideration Conditions in respect of the Stage 1 payment having been fulfilled; and</li> <li>— certain issues arising previously from agreements entered into between the Parties A and its related parties and the government having been duly handled to the satisfaction of World Prosperous.</li> </ul>
Stage 3	RMB80,000,000 (or equivalent)	<p>Pursuant to the terms of the Capital Increase Agreement, the exact timing and amount for the Stage 3 payment will be determined with reference to the then financial conditions of the Target Company subject to the fulfillment of, among others, the following conditions by Parties A and the Target Company on or before 30 June 2019:</p> <ul style="list-style-type: none"> <li>— the Consideration Conditions in respect of the Stage 2 payment having been fulfilled; and</li> <li>— certain operative agreements having been entered into between the Target Company and the government of Zaozhuang having been duly executed.</li> </ul>
Final stage	RMB78,800,500 (or equivalent)	<p>Pursuant to the terms of the Capital Increase Agreement, the payment of the final stage consideration is subject to the then financial performance of the Target Company and is also subject to downward adjustment if necessary.</p>

## **FINANCIAL INFORMATION AND BACKGROUND OF THE TARGET COMPANY**

Prior to the Capital Increase, the Target Company was established in the PRC with a registered capital of RMB248,651,500 (equivalent to approximately HK\$281,622,689) and 100% of its equity interest was held by the Existing Shareholders.

The Target Company is one of the operators of WTE plants in Zaozhuang and had entered into an operating agreement with the government of Zaozhuang in August 2015 for a total of 30 years.

The Target Company currently operates a waste-to-energy (WTE) plant under a build-operate-transfer concession right in Zaozhuang City, Shandong Province. The daily municipal solid waste processing capacity of the WTE plant is 1,800 tonnes, of which the processing capacity of phase 1 (currently in operation) is 1,000 tonnes and phase 2 (to be constructed) will be 800 tonnes.

Set out below is a summary of the key financial information of the Target Company for each of the two years ended 31 December 2017 and 2016 based on its audited accounts prepared in accordance with PRC Accounting Standards:

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Results		
Revenue	28,524	—
Net loss before taxation	(13,921)	(1,376)
Net loss after taxation	(13,921)	(1,376)
	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Assets		
Total asset	545,673	530,096
Net asset value	231,084	245,005

## **INFORMATION OF THE GROUP AND THE EXISTING SHAREHOLDERS**

The Group is engaged in the provision of environmental hygiene related services and operation and management of waste-to-energy plants.

Anhui Shengyun is a PRC-based company principally engaged in solid waste treatment business. Its principal business activities include investment, construction and operation of WTE projects. It is currently listed on the Shenzhen Stock Exchange.

Beijing China Business is a PRC-based Company and is principally engaged in the development of WTE technology. It is wholly-owned by Anhui Shengyun.

Tong Sing is an investment fund jointly owned by Anhui Shengyun and an Independent Third Party.

## REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Board is of the view that the Capital Increase will enable the Company to broaden the income source and strengthen its asset base after the technological upgrade of phase 1 of the Zaozhuang WTE plant and construction of phase 2 of the Zaozhuang WTE plant. Most importantly, the Capital Increase enables the Group to gain foothold in Shandong Province which is an important step to develop the local market in the future.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement has been entered on normal commercial terms and are fair and reasonable and the transactions contemplated under the Capital Increase Agreement are in the best interests of the Company and the shareholders of the Company as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Capital Increase exceeds 5% but less than 25%, the Capital Increase constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempted from shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Anhui Shengyun”	Anhui Shengyun Environment Protection Group Co. Ltd.* (安徽盛運環保(集團)股份有限公司), a company established in the PRC and is beneficially owned by Independent Third Parties and is listed on the Shenzhen Stock Exchange
“Beijing China Sciences”	Beijing China Sciences General Energy & Environmental Co. Ltd.* (北京中科通用能源環保有限責任公司), a company established in the PRC and is wholly owned by Anhui Shengyun
“Board”	the board of Directors
“Capital Increase”	the injection of an aggregate of RMB258,800,500 to the share capital of the Target Company by World Prosperous whereby World Prosperous will own 51% of the enlarged share capital of the Target Company
“Capital Increase Agreement”	the capital increase agreement dated 12 December 2018 entered into among World Prosperous, the Target Company and the Existing Shareholders in relation to, among other things, the Capital Increase

“Company”	Canvest Environmental Group Company Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange of Hong Kong Limited
“Completion”	Completion of the Capital Increase
“Conditions Precedent”	the conditions precedent as set out in the Capital Increase Agreement
“Consideration Conditions”	the conditions precedent to the payment of the consideration as stated in this announcement
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	Anhui Shengyun, Beijing China Services and Tong Sing who in total hold 100% equity interest in the Target Company prior to the Completion
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Parties A”	Includes Anhui Shengyun and Beijing China Sciences
“PRC”	People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zaozhuang Zhongke Environmental Energy Company Limited* (棗莊中科環保電力有限公司), a company incorporated in the PRC and is beneficially owned by the Existing Shareholders prior to the Completion
“Tong Sing”	Tong Sing Xing Sheng Yun Au Investment Partnership (Limited Partnership)* (桐城興晟運安投資合伙企業(有限合夥)), a company established in the PRC and is jointly owned by Anhui Shengyun and an Independent Third Party
“World Prosperous”	World Prosperous Investments Limited (世豐國際投資有限公司), a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

\* *The English transliteration of the Chinese term(s) in this announcement, where indicated with “\*”, is included for information purpose only, and should not be regarded as the official English term(s) of such Chinese term(s)*

*The transactions between RMB and HK\$ in this announcement were made at the rate of RMB1.00 to HK\$1.1326. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on the date hereof or any other date.*

By Order of the Board  
**Canvest Environmental Protection Group Company Limited**  
**Lee Wing Yee Loretta**  
*Chairlady*

Hong Kong, 13 December 2018

*As at the date of this announcement, the Board comprises Ms. Lee Wing Yee Loretta, Mr. Lai Kin Man, Mr. Yuan Guozhen and Mr. Lai Chun Tung, as executive Directors; Mr. Feng Jun, Mr. Lui Ting Cheong Alexander and Mr. Lai Yui, as non-executive Directors; Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason, Mr. Chung Wing Yin and Mr. Chung Kwok Nam, as independent non-executive Directors.*